

# EXHIBIT 8

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MASSACHUSETTS  
CENTRAL DIVISION

Southern Sky Air & Tours, ) Case No.: 12-40944-MSH  
LLC, d/b/a Direct Air, ) Chapter 7

Debtor, )  
\_\_\_\_\_)

**COPY**

**THE RULE 2004 EXAMINATION OF  
JUDY TULL**

Monday, November 4, 2013  
10:24 a.m. – 6:37 p.m.

The Rule 2004 Examination of JUDY TULL, taken on behalf of the Joseph H. Baldiga, Chapter 7 Trustee, at the law offices of Boyd Goldfinch Law Firm, LLC, located at 11019 Tournament Boulevard, Murrells Inlet, South Carolina, on Monday, November 4, 2013.

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1 MR. BOYD: I'M GOING TO OBJECT TO THAT  
2 QUESTION.

3 BY MR. REGAN:

4 Q: When you say, "kick them out," you're referring  
5 to Avondale?

6 A: Yes. We were referring to Avondale.

7 Q: Do you know who Stuart Schabes was?

8 A: Stuart Schabes was the tax attorney that Direct  
9 Air had hired, and his firm had a gentleman by  
10 the name of Kevin Robertson who handled the  
11 transaction for the sale up until the closing.

12 Q: For the original Direct Air founders?

13 A: Yes.

14 BY MS. MURPHY:

15 Q: I'd like to start with some questions about your  
16 background. You were one of the founding members  
17 and president of Direct Air; is that ---

18 A: No.

19 Q: --- correct?

20 A: I wasn't. I was never the president of Direct  
21 Air.

22 Q: What was your title at Direct Air?

23 A: When we originally started, I had CEO, but that  
24 lasted until Kay and Marshall moved from West  
25 Virginia, so less than a year. I think they -- I

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1 don't know. They moved down in the fall of  
2 whatever year, 2000 and -- They came down in, I  
3 guess, 2007, and then all, nobody had titles  
4 anymore, really. We all were five equal  
5 partners, and the company was ran by a committee,  
6 and any decisions made by the committee is how  
7 the company ran.

8 Q: But there were occasions on which you identified  
9 yourself on documents as the president of the  
10 company?

11 A: No. I didn't do myself as president. I signed  
12 as CEO when I'd send my original paperwork to the  
13 Department of Transportation. We used titles  
14 because when we were negotiating with airports or  
15 marketing people, they wanted to deal with  
16 somebody who was an officer of the company, you  
17 know, someone who had some authority to  
18 negotiate, you know, your coming to these cities.  
19 Ed Warneck was the president, I was the CEO, Bob  
20 Keilman was the chief financial officer, and Kay  
21 and Marshall, when we started, were vice-  
22 presidents of, of system administration and  
23 reservations, operation -- not operations, tech.  
24 And then when the company was changed to an LLC,  
25 everybody had the title "partner."

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1 Q: Is that with an I or a Y?  
2 A: Y.  
3 Q: Did Bryan ever work for or assist Direct Air?  
4 A: No.  
5 Q: Did either Kevin or Bryan receive any payments  
6 from Direct Air for anything?  
7 A: I don't think so, but I don't remember. It was  
8 when we started up. Nobody was taking any money.  
9 Q: What is your current ---  
10 A: There wasn't any money.  
11 Q: What is your current occupation?  
12 A: I'm retired.  
13 Q: When did you retire?  
14 A: The day the company shut down, on the 12th of  
15 March.  
16 Q: 2012?  
17 A: Yes.  
18 Q: Your last job was with Direct Air?  
19 A: Yes.  
20 Q: And you remained with Direct Air until March 12th  
21 of 2012?  
22 A: No. I resigned, and you have a resignation  
23 letter for me in February of 2012. I resigned,  
24 and Hank Torbert sent a letter accepting my  
25 resignation, and I came back about the weekend or

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1 the week before it closed because Kay was and,  
2 and Bob were going out of town to meet with the  
3 Yaris and they needed someone who knew anything  
4 at the company. So I came back and only as a  
5 consultant and was there for a couple, you know,  
6 we closed down pretty quick after that.

7 Q: What was your job immediately prior to working at  
8 Direct Air?

9 A: I was a broker.

10 Q: What kind of broker?

11 A: An aviation, airline broker.

12 Q: What did that job entail?

13 A: I sold airplanes, charters.

14 Q: You sold the physical airplane or you sold  
15 charter services?

16 A: I sold charter services or airline services,  
17 whatever was necessary, because that was my  
18 background. I'd been a broker for many, many,  
19 you know, since the '80s.

20 Q: Who was your employer prior to Direct Air?

21 A: Well, prior to Direct Air, I was a broker, and I  
22 was my own employer.

23 Q: You were self-employed?

24 A: Yes.

25 Q: Did you have a company name?

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- 1 A: Yes, Universal.
- 2 Q: Universal?
- 3 A: Aviation Services and World Technology Systems.
- 4 But Hooters Air was in between them.
- 5 Q: Working backwards from Direct Air, immediately
- 6 prior to that, you were self-employed for
- 7 University Aviation Services, selling charter
- 8 airline services?
- 9 A: Yes.
- 10 Q: Prior to that, you worked at Hooters Air?
- 11 A: Yes.
- 12 Q: What was your job at Hooters Air?
- 13 A: Sales and marketing and operations.
- 14 Q: Was Hooters Air a charter airline, similar to
- 15 Direct Air?
- 16 A: It was an air service similar, except Bob Brooks
- 17 owned the airline that we operated, so it was
- 18 using its own airline. So it had the association
- 19 with the air carrier.
- 20 Q: What years did you work for Hooters Air?
- 21 A: 2003 till April of 2006.
- 22 Q: Why did you leave Hooters Air?
- 23 A: Company shut down.
- 24 Q: Why did the company shut down?
- 25 A: Mr. Brooks decided to close it because he was

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1 losing money or whatever. He had many reasons.

2 Q: Did Hooters Air wind up with a shortfall in its  
3 escrow account when it closed?

4 A: Prior to Hooters Air closing, when Mr. Brooks  
5 decided he wanted to close the company, the  
6 company was on Radixx, and when we went through  
7 the accounting, which I was not accounting, the  
8 people who were in accounting found a large  
9 shortfall, that they couldn't determine why, in  
10 the millions. When it closed, we expected that  
11 there would be a large amount owed to customers,  
12 but as the date grew closer, the shortfall  
13 balanced out and there wasn't one.

14 Q: Do you know how that happened?

15 A: I was not involved in all of that. We went  
16 through the numbers, looking for it. We expected  
17 all kinds of charge-backs. You know, sometimes  
18 they didn't do pools, but you know, they  
19 anticipated large amounts of charge-backs, and  
20 the only thing that, I don't know, but because he  
21 announced several months in advance that he was  
22 closing the company, like in January, we'll say,  
23 he announced he was closing the company in April,  
24 so it had all the four months, you know, to  
25 balance out, and people who were -- you know, we

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1 anticipated large amounts of charge-backs, and  
2 they didn't happen. I don't know why.

3 Q: What was your title at Hooters Air?

4 A: I don't remember.

5 Q: And your job prior to Hooters Air?

6 A: I was a broker.

7 Q: Also selling charter services?

8 A: Uh-huh (affirmative response), yes.

9 Q: Self-employed?

10 A: Yes. And prior to that, I owned an aviation  
11 outsourcing company that was called World  
12 Technology that operated that program like  
13 Hooters, like Direct Air. It was a tour company  
14 called SunJet, and I owned that from '93 to '99.  
15 And before that, I was, I was in the aviation  
16 industry. I worked for Transamerica Airlines,  
17 and I worked for Braniff Airlines, and I was a  
18 broker. I represented foreign air carriers in  
19 the United States, doing all their leg, doing  
20 their charter sales, doing their marketing, doing  
21 their ground handling, catering, everything for  
22 Mexican Airlines here in the United States.

23 Q: So you're pretty knowledgeable about airline  
24 operations?

25 A: Airline operations, yes.

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1 Q: Was all your experience with charter airlines or  
2 any scheduled carriers?

3 A: Braniff and Transamerica. I was with them from  
4 1966, Braniff, for 15 years.

5 Q: Braniff and Transamerica are scheduled air  
6 carriers?

7 A: They were.

8 Q: And all of your other experience was with charter  
9 air carriers?

10 A: Well, while I was at the charter -- While I was  
11 at the scheduled services carriers, I was in  
12 their charter department and learned how to do  
13 all the scheduling of airplanes for large fleets,  
14 and I chartered the NFL football teams and  
15 provided all their services and, and everything  
16 that they needed, as well as I did the  
17 presidential campaigns for Mondale and Geraldine  
18 Ferraro. That tells my age.

19 Q: So would it be fair to say you have 40-plus years  
20 of charter ---

21 A: Aviation.

22 Q: I'm sorry. --- 40-plus years of charter aviation  
23 experience?

24 A: Yes.

25 Q: Do you have any ---

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1 They would fall out of the system somehow or they  
2 would get turned down or, you know, sometimes  
3 people will try to go over and over, they push to  
4 process their record, and you know, it charges  
5 how many times or it doesn't charge, and Mike  
6 Smith wrote a program for us, and he found that  
7 we had over a million dollars that wasn't  
8 processed, just sitting there, and we didn't know  
9 any of that until he developed this program, so,  
10 but we had the ability to have our programmer  
11 work with this tech person who knows credit card  
12 processing and wrote a whole program to do  
13 nothing but track credit cards, you know. So we;  
14 we made sure that we had somebody writing  
15 programs and making sure that everything balanced  
16 at all times. When we were on Radixx, they had  
17 people that were from India programming the  
18 system and had no way to verify anything.  
19 Q: When you're talking about Radixx, you mean at  
20 Direct Air?  
21 A: Yes.  
22 Q: What ---  
23 A: And Hooters was on Radixx, as well.  
24 Q: What years did you own and operate World Tech?  
25 A: 1993 to 1999.

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- 1 A: That is correct.
- 2 Q: So they're not subject to the same charter escrow
- 3 regulations?
- 4 A: Right. But as a charter, you are allowed to have
- 5 a service fee for booking a reservation. You can
- 6 call any of these tour operators, Jet, you know,
- 7 Funtastic, GOGO, Apple Vacations, all of these
- 8 people, because Direct Air was really a tour
- 9 operator, is not an airline. The only thing
- 10 different is we were not selling packages to the
- 11 Caribbean. We were selling airfare. And the
- 12 only difference is the, you know, GOGO and
- 13 Funtastic -- who's the one, Funjet Vacations,
- 14 they're, they're all a tour operator, and they
- 15 were all using vouchers before the Internet.
- 16 Q: What's the basis for your understanding that only
- 17 the airfare has to be escrowed but not the
- 18 service fee and the reservation fee? And I'm
- 19 speaking in the charter context.
- 20 A: Part 380, rules and regulations tell you that you
- 21 only have to escrow the airfare only.
- 22 Q: Is that from your own reading of Part 380?
- 23 A: Uh-huh (affirmative response), uh-huh
- 24 (affirmative response), not just mine, I mean,
- 25 that you can go anywhere and they'll tell you.

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1 We worked with, when I was at World Technology,  
2 we worked with Aaron Goerlich, and Aaron Goerlich  
3 was our -- we always had a DOT attorney, and they  
4 came back, we did an investigation to see what  
5 did and did not have to be escrowed, and they  
6 came back and said that we could charge a  
7 nonrefundable service fee for booking a  
8 reservation, because we were looking at adding,  
9 at one time, a \$25 reservation fee, and that was  
10 ahead, you know, before all the airlines out  
11 there started charging reservations fees. This  
12 was, you know, back in the early '90s.  
13 Q: So the example you just gave, you're speaking of  
14 your time pre-Direct Air?  
15 A: Uh-huh (affirmative response).  
16 Q: And Aaron Goerlich, his law firm also consulted  
17 for Direct Air?  
18 A: He consulted for Braniff Airlines, as well. I  
19 mean, I've known him ---  
20 Q: I understand. But my ---  
21 A: Yeah.  
22 Q: --- specific question is simply, he was Direct  
23 Air's lawyer with respect to the DOT?  
24 A: He was one of the Direct Air DOT attorneys.  
25 Q: Okay.

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1 BY MS. MURPHY:

2 Q: Going back to the background of the company,  
3 whose idea was it to create Direct Air?

4 A: The five partners.

5 Q: Who came up with the idea?

6 A: Well, what happened was Kay and Marshall were in  
7 West Virginia handling the reservations for  
8 Hooters Air, and Ed Warneck and Bob Keilman used  
9 to buy tickets from Hooters Air. They, they had  
10 a tour company, a golf company that was selling  
11 packages to Myrtle Beach, and so when Mr. Brooks  
12 decided to close, I think it was Ed approached  
13 me, Ed and Bob, and said, "Why don't we do this  
14 ourselves? We could handle the reservations in  
15 West Virginia, and we've all operated tour  
16 programs before," and so we met about forming the  
17 company, looking at what we had to do, you know,  
18 what money we needed, what we could contribute.

19 Everybody contributed certain things, you  
20 know, what their expertise was. Mine was  
21 operations, you know, all the airlines and  
22 airline contracts; Kay's and Marshall's were the  
23 technology, reservations, and Bob was chief  
24 financial officer for the Bank of -- the  
25 comptroller for the Bank of America in New

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1       thousand dollars and we were going to bring  
2       passengers to their properties, and then they  
3       would get paid a dollar amount per passenger, but  
4       they never required us to do it, and we never  
5       did. We never paid them anything. I mean, this  
6       goes way back.

7       Q: What about Ed -- way back?

8       A: When it was formed.

9       Q: 2006?

10      A: Yes.

11      Q: What about Ed Warneck and Bob Keilman, did they  
12      put any money in?

13      A: Bob Keilman put in a hundred thousand. He was to  
14      bring, he was finance, and he was bringing that  
15      in, and Ed was bringing his contacts on the side  
16      of the tours and golf courses and to get  
17      discounts at, you know, Myrtle Beach golf courses  
18      and hotels and stuff.

19      Q: Did the company start with anything other than  
20      the \$400,000 you just described?

21      A: I don't think so. Later on, they got some more  
22      partners down, you know, months into it, and  
23      there's -- I don't know their names. They were  
24      friends of Bob's that were people from New York  
25      that he knew, and they invested, and they got

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- 1 shares, but that's all they got.
- 2 Q: And to the best of your understanding, this
- 3 \$400,000 that was put in was not a loan?
- 4 A: No, it wasn't. There was -- Bob, I found out
- 5 later that Ed had told him that his hundred
- 6 thousand was a loan, but I wasn't aware of that
- 7 till a long time later.
- 8 Q: Your understanding is it was not a loan from Mr.
- 9 Keilman?
- 10 A: Well, when we -- I wasn't involved in those
- 11 conversations of what Ed promised him when he
- 12 decided to put the hundred thousand dollars in.
- 13 So, apparently, in his conversations, he told him
- 14 that the hundred thousand was a loan.
- 15 Q: Is there any documentation of how the money
- 16 coming in was to be used or expectations for
- 17 getting it back?
- 18 A: I don't know.
- 19 Q: Were there any agreements among the founding five
- 20 members regarding how the company would be run,
- 21 people's shares?
- 22 A: We all had the same amount of shares, and the
- 23 company was run by a committee. Everything was
- 24 decided by the committee, and so you'd go to a
- 25 meeting, I mean, you'd have meetings every week,

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1 every day, because the five people, except for  
2 Bob, worked there every day.

3 Q: What sort of decisions had to be brought to all  
4 five members to be made?

5 A: Every decision.

6 Q: So every founding member ---

7 A: Every founding member was involved in every  
8 decision that company made, and if somebody  
9 wanted to do something, "As I'm an owner, I  
10 should be able to do what I want."

11 Q: What do you mean by that?

12 A: Well, everybody thought that they, you know,  
13 everybody made decisions, and you know, it's -- a  
14 committee is running, you know, so when you come  
15 in here, if you come and you say you want to do  
16 this, then everybody's got to vote on it. You  
17 know, everybody felt that what they wanted was,  
18 you know, the thing that we should do. So that's  
19 how the company ran.

20 It wasn't one person coming in saying,  
21 "This is what we're doing. This is what we're  
22 doing. This is what we're doing." That's not  
23 the way it ran. It ran as you would come in and  
24 everybody would be there, and you'd have a  
25 regular meeting, and we'd say, "What cities do we

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1 want to fly to?" and so then we'd make a decision  
2 of, "Okay, we think that we want to fly to  
3 Niagara Falls and Newark and Pittsburgh," and  
4 whatever, and then everybody would have their  
5 part, that they would go and one would negotiate  
6 with the airports, which was me, and, and then,  
7 you know, we, you know, we wanted to do this  
8 business.

9 So then you'd sit there and, "Well, we  
10 need an airplane." Well, in order to do this,  
11 then I'd go get an airplane, because the airlines  
12 would require so many hours that you have to fly,  
13 and so we'd have to come up with schedules, and  
14 so, but that's what we would do every day, and  
15 then we'd come back and meet and, "Well, this is,  
16 you know, what we were able to get, Niagara  
17 Falls," you know, in marketing, and Ed was  
18 dealing with marketing and, and reservations,  
19 getting that set up. So everything that we did,  
20 for any decisions about anything, was done by  
21 sitting down together and saying, "This is the  
22 direction we're going. This is what we're going  
23 to do."

24 Q: How was Bob Keilman kept in the loop if he wasn't  
25 local?

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1 A: He was there a lot. He was there, he was there  
2 for a couple of weeks every month or, sometimes,  
3 more than that. He was there all the time. He  
4 wasn't there full-time. He was back and forth.  
5 He worked with Mary. He had the capabilities to  
6 go online, because QuickBooks was online. So we  
7 didn't have a Mary at first. When Mary came,  
8 then she worked with Bob on everything regarding  
9 the, the finance area, as to bills and payments  
10 and, you know, but he would be -- he would come  
11 down and, you know, we'd make decisions on the  
12 direction the company was going.

13 Q: Who did Mary Baldwin's job before she started at  
14 Direct Air?

15 A: I kept a checkbook run of every check that we  
16 had, and then when Mary came, then I gave that  
17 all to her, and she, you know, she -- And then  
18 Kevin came down with Bob, and they set up the  
19 chart of accounts, I guess, as to, you know, what  
20 accounts were what, and then Kevin left and Mary  
21 was there full-time, and that's how they set up  
22 the accounting.

23 Q: Who set up the Valley National Bank account?

24 A: I did.

25 Q: How did you know that you needed an escrow

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1 account for Direct Air?

2 A: Well, because we were going to be a tour operator

3 and I'd been in the airline business. Everybody

4 there at the company knew we needed to set up a

5 escrow account to operate the flights, and so

6 there's only a very few number of banks that is

7 recommended by the DOT to have an escrow account.

8 Q: You were the one who approached Valley National

9 Bank about opening the escrow account for ---

10 A: Yes.

11 Q: --- Direct Air with them?

12 A: Yes, Bob Halagarda.

13 Q: Excuse me?

14 A: It was Bob Halagarda at that time.

15 Q: Did you have a relationship with him before

16 working with him with Direct Air?

17 A: No. I worked with another bank that was in

18 Detroit when I had World Technology, and I forget

19 the guy's name who was there. He retired. And I

20 had only met Lori Rooney and Bob Halagarda at,

21 they had come to World Technology one time

22 wanting to handle our account, but we never did.

23 We worked with the other bank in Detroit. And

24 Pace Airlines, when we were at Hooters, worked

25 with Valley National, and that's where Pace had

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1        their escrow account. So that's when I met them,  
2        I mean, met them to, you know, since Hooters had  
3        been with Valley, then I contacted Bob Halagarda.  
4        Q: When did Mary Baldwin start working for Direct  
5        Air?  
6        A: I don't know the date, you know. We were ---  
7        Q: Had you started flying yet?  
8        A: No, no. I don't think so. We, we, we started  
9        reservations, I think, in November or December,  
10       and we didn't start flying till March. Sometime  
11       in that time period, we had hired people to work  
12       at the airport, and John Foytik was hired at the  
13       Myrtle Beach airport and Mary was his neighbor.  
14       So he says, "Oh, I've got a neighbor that does  
15       accounting. She does, she's," she did accounting  
16       for the Patricia Grand hotel and resort, I guess,  
17       and so Bob interviewed her and hired her.  
18       Q: Was that a decision that was made by committee,  
19       to hire Mary Baldwin?  
20       A: Uh-huh (affirmative response).  
21       Q: What are you aware of for her background?  
22       A: She did audits, I think, for the Patricia Grand,  
23       and I think she had her own company, but you  
24       know, other than that, I don't know if she was,  
25       you know, -- The people that are in Myrtle Beach.

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- 1 was -- Probably what that was is, if you look at  
2 the way the company operated, in some months we  
3 were huge with revenue, other months, like  
4 September is a bad month, so more than likely we  
5 would make a profit in a month, and in another,  
6 we would make a loss, you know, in a month that  
7 was a low month, but on a yearly basis, maybe we  
8 didn't make a profit.
- 9 Q: And do you have any recollection, on a yearly  
10 basis, ---
- 11 A: I can only tell ---
- 12 Q: --- whether Direct Air was making money or they  
13 were losing money?
- 14 A: On an overall basis, I would say we were probably  
15 losing money on a yearly basis. I know in months  
16 we made profit, and we have the financials. Do  
17 you not have the copies of the financials?
- 18 Q: Right now, I'm just asking what ---
- 19 A: Okay.
- 20 Q: --- you recall. I do have documents, and we will  
21 take a look at some ---
- 22 A: Okay.
- 23 Q: --- of them later on, ---
- 24 A: Okay.
- 25 Q: --- but I just want ---

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1 the year that they would be," and so in certain  
2 months, December, going to Florida, you'd have  
3 lots of bookings; and your finances -- but  
4 everything is based on today and tomorrow and  
5 next week. It's not based on -- I can't tell  
6 you, you know, a year from now or six months from  
7 now. I'm looking and dealing with,  
8 operationally, what I've got to do every single  
9 day, today, and tomorrow in order to operate my  
10 schedule for the following week.

11 Q: Who was making decisions about what payments were  
12 being made in terms of paying air carriers,  
13 paying ground crew, paying contractual ---

14 A: Well, it wasn't a decision. What it was is you  
15 had a contract, and ---

16 Q: But what about the actual decision to make a  
17 particular payment? I understand, the legal  
18 obligation aside, when it comes down to, "We owe  
19 somebody \$80,000 for flights flown," or "We need  
20 to pay a gas invoice." Who's making the  
21 decisions about whether there's enough money in  
22 the account, "Can we pay it?" and "When do we  
23 schedule it?"

24 A: Well, the way that it works is you have a  
25 contract with an airline, we'll say Xtra Air, and

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1 you have to pay them 14 days prior. So there was  
2 a contract that was negotiated for every air  
3 carrier with the terms on it of when you pay  
4 them, so, and there was a schedule that you  
5 operated. So everything was based on the  
6 schedule. So if you are ten days out and you're  
7 looking ten days out what your schedule is,  
8 you've got a schedule with block times on it, so  
9 the block times that are negotiated with the air  
10 carrier tell you exactly what you have to pay.  
11 It's not a choice that I make or anybody makes.  
12 It's based on what your schedule is. So ---

13 Q: And I understand that, and I don't mean to  
14 interrupt, but I just wanted to focus you on the  
15 part of the question, that, really, the thrust of  
16 the question was who's making decisions about  
17 whether there's enough money in the account and  
18 on what day to pay, not on things that are  
19 automatic payments. Let's look at something  
20 that's not, like ---

21 A: Well, ---

22 Q: --- a fuel invoice or the ground crew.

23 A: Okay. If you'll let me finish, I will tell you  
24 that what happens then is you have a schedule,  
25 and then you run a report in Radixx, and I was

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1 the one that ran the report for the airline  
2 payment, is I ran a report, and it would, say I  
3 am trying to pay, we'll say, March 1st to March  
4 5th, and this is February whatever, so I would  
5 run a report, and it would tell me how much money  
6 is there. So if my airline payment is 250,000,  
7 and the report that I ran shows that you have  
8 this much money in it, then you have enough money  
9 to make a payment, and then you did. That's all  
10 there was to it.

11 Q: You're talking about pulling reports from Radixx?

12 A: Uh-huh (affirmative response).

13 Q: What type of report is it that you were pulling?

14 A: It depends on what time. When we first started,  
15 I had a charter escrow report. The charter  
16 escrow report gave me a list of all the  
17 passengers, on the flights that they were on,  
18 with the money that they paid. So that's a  
19 report that was pulled, and then you would send  
20 that to the bank with the report that you pulled  
21 from Radixx that said, "This is how much money  
22 you have," send it to the bank, then the bank  
23 would send that payment to the airline's escrow  
24 account.

25 BY MR. REGAN:

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1 forget. I mean, it's been so long ago. We, at  
2 the beginning, because this is saying Valley, for  
3 weekly deposits, you know, which is the batches  
4 of the sales that went in, okay, so we would send  
5 a report of the sales, which is not what we were  
6 just talking about on the releases, for sales  
7 that was a list of all the charges and the  
8 passengers that were booking, and this report was  
9 the report that we're talking about here that's a  
10 summary, so like the original, originally,  
11 because see this is -- We'd only been in business  
12 for a couple months, and we were already at the  
13 max, where it was crashing the systems. But,  
14 originally, we sent reports on sales to Valley  
15 that was a summary that was batches, you know.  
16 We would send, "On this date, we did 20," you  
17 know, "this amount of money, this date was an  
18 amount of money," and, and it would be all the  
19 individual records with all their individual  
20 payments. So that has to do with money going  
21 into escrow and the weekly deposits, not anything  
22 to do with what we were just talking about with  
23 the payments to the air carrier. That's  
24 completely different.

25 BY MS. MURPHY:

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1 Q: Maybe we could step back and just walk through  
2 how the reservation system works so that we start  
3 with what happens when customers come and make  
4 sales and ---

5 A: Okay.

6 Q: --- purchase flights, and then walk us through  
7 the transaction of how that money gets deposited  
8 into Direct Air's escrow account, how it runs  
9 through the Radixx system, gets deposited into  
10 escrow, and then any monies out of the escrow  
11 account.

12 A: Yes.

13 Q: Does that make sense, to address ---

14 A: Well, ---

15 Q: --- it that way?

16 A: Well, we can, but what happens is -- We were just  
17 open, because our first flight was March 7th of  
18 2007, so you can see here, this is June of 2007.  
19 So we've only been open, you know, April, March,  
20 April, May, and this is the beginning of June.  
21 So we were already crashing the systems in trying  
22 to, everybody, record the money so that the money  
23 is all correct for everybody.

24 So the way that the system was set up  
25 with Radixx, the schedule is built for all the

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1 time. So Greenwich time is a different time than  
2 local times, and so they would, originally when  
3 it's set up, the system batches, you know, groups  
4 of records, and they're consistently running  
5 batches through. And like I don't, I don't do  
6 this part of it, so, you know, Kay and them  
7 handle the reservation system, and, and she knows  
8 more how it, it batches, but they batch, and the,  
9 they go through the bank, and then the bank,  
10 after, you know, they come back through the  
11 credit card companies, it takes two to three days  
12 or sometimes longer for that money to actually  
13 drop back into Valley.

14 Q: Do you have any understanding of what information  
15 Valley is getting about the money it's receiving,  
16 who paid that money and what flights it's for?

17 A: We, we originally had these sales reports that we  
18 would send to Valley, but they are too big for  
19 them to get, and so ---

20 Q: Is that what's being referenced on ---

21 A: I don't know what ---

22 Q: --- Exhibit 2?

23 A: --- they get with the batch. I don't know if  
24 they get a summary. I don't know if the money  
25 drops that way. I don't know.

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1 Q: No. I'm sorry. In Exhibit 2, where it's talking  
2 about the reports are too large, ---

3 A: Right.

4 Q: --- is that the sales report that you just told  
5 me you ---

6 A: That's the sales report that I used at the  
7 beginning. I don't know what it developed into  
8 further, because the reports were, like I said,  
9 so big that I did not send these reports for a  
10 long term basis.

11 Q: And it's your recollection you kept copies of  
12 those reports?

13 A: No. They were in the system, that they could  
14 access them at any time ---

15 Q: The Radixx system?

16 A: Uh-huh (affirmative response). They, that's why  
17 we were telling Lori there that she can have  
18 access, because originally what people had talked  
19 about was setting up a computer in their office  
20 so that they could access the records themselves  
21 and, but what happens is everything was being  
22 processed through Radixx, and the, the, the  
23 batches go out to JetPay and the bank and then  
24 they drop the money back, and according to the  
25 batches -- I don't know the information on the

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1 don't know. So we had conversations back and  
2 forth with the bank, probably Lori Rooney, as to,  
3 "How can we get this information so you're  
4 comfortable with what the batches are? Because  
5 there's only one place that the money goes  
6 through. The money goes through here and drops  
7 into your bank. You need something, apparently,  
8 that tells you all the people that are in that,  
9 dropping into your account."

10 Q: Why do you think the bank needed that?

11 A: Because they need all the names of the  
12 passengers.

13 Q: Why do they need the names of the passengers?

14 A: Because, by Part 380, they need to put the money  
15 to every person, to every flight.

16 Q: So the DOT charter regs require the escrow bank  
17 to segregate the money per person, per flight?

18 A: Yes.

19 MR. BOYD: OBJECTION TO THE FORM.

20 Q: And you're talking about a sales report, which is  
21 how you initially tried to give that information  
22 to Valley National Bank; is that correct?

23 A: Yes.

24 Q: Is there a formal name for that report or is it  
25 something called a sales report in Radixx?

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1           were sending -- And that was you personally were  
2           sending them to Valley National Bank?  
3       A: I must have been.  
4       Q: And sending them by email?  
5       A: Yes.  
6       Q: Using your company email address ---  
7       A: Yes.  
8       Q: --- to send them from? And sending them to Lori  
9           Rooney at her official Valley National Bank  
10          address. I assume?  
11       A: Lori or, or Bob.  
12       Q: In approximately three months, you get to a stage  
13          where these reports are so big they're crashing  
14          your computer and crashing Valley National Bank's  
15          computer?  
16       A: That's correct.  
17       Q: How did you know they were crashing Valley  
18          National Bank's computer?  
19       A: She couldn't open them.  
20       Q: So Lori Rooney called you or emailed you and told  
21          you?  
22       A: Right.  
23       Q: Do you have any idea how long it was before  
24          Exhibit 2 that she first started telling you that  
25          she couldn't open things and they were crashing?

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- 1 A: No.
- 2 Q: But at some point, at least by June 13th, 2007,
- 3 you knew you could no longer send these because
- 4 they weren't being able to open the information?
- 5 A: We were having trouble.
- 6 Q: So what did you come up with as a solution to
- 7 give Valley National Bank the information they
- 8 needed?
- 9 A: Well, I would assume that we gave them, from this
- 10 report, we're saying that Ron Peri has the
- 11 information at this number, that they can always
- 12 get access into Radixx, that Ron will do it.
- 13 Q: So, by Exhibit 2, you're saying, "From now on, if
- 14 you need this information, because I can't send
- 15 it, please go directly to the Radixx system and
- 16 get the information"?
- 17 A: It says, "The backup for these reports can be
- 18 accessed by Direct Air or by Radixx International
- 19 in Orlando," which is their base, "by Ron Peri."
- 20 So they could call Ron Peri at this number and
- 21 pull up any report, because the summary report
- 22 was being sent with the total.
- 23 Q: So after you stopped being able to send the sales
- 24 report, you sent the summary report; is that
- 25 correct?

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- 1 A: I would assume that.
- 2 Q: And you were telling Valley National Bank that if
- 3 they needed the detail, that Valley National Bank
- 4 should contact Ron Peri, who's the president of
- 5 Radixx?
- 6 A: We gave them the number, by this, to call Radixx.
- 7 Q: But were you suggesting that Valley National Bank
- 8 get the reports from Radixx or were you
- 9 suggesting that Valley National Bank contact
- 10 Radixx about another solution?
- 11 A: No, that they could get the reports from Ron Peri
- 12 at Radixx.
- 13 Q: So after June 13th, 2007, you wanted Valley
- 14 National Bank to be pulling the detailed reports
- 15 directly from Radixx if they needed them?
- 16 A: Yes.
- 17 Q: When you first started using Radixx, did you get
- 18 any training on the system?
- 19 A: No.
- 20 Q: When was the first time you used Radixx, was it
- 21 before Direct Air?
- 22 A: Hooters used Direct Air -- or Hooters used
- 23 Radixx.
- 24 Q: So you used the Radixx system when you were
- 25 working at Hooters?

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1 Q: How did you know what reports were the right  
2 reports to run, just trial and error?

3 A: Just trial and error.

4 Q: In terms of requesting money for Direct Air from  
5 Valley National Bank, would you call that a  
6 disbursement or a release or did you have another  
7 terminology for it?

8 A: We would -- A release.

9 Q: Okay. And is it fair to say that the release  
10 process was, after the flights were flown, you  
11 would prepare a letter or a fax cover sheet  
12 identifying how much money was made, what flights  
13 were flown, and then instructing Valley National  
14 Bank on how to distribute that money and how to  
15 release it?

16 A: Yes.

17 Q: And in addition to the letter, what other  
18 information did you provide to Valley National  
19 Bank in order to get the money released to Direct  
20 Air?

21 A: At the beginning, we used the charter escrow  
22 report. The charter escrow report had the list  
23 of all the passengers, by passenger, by flight,  
24 by date, and how they paid. Later on, they  
25 changed that report, and I had to find something

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1 new in order, that showed me what the sales were  
2 for those dates.

3 Q: And in the beginning when you were using the  
4 charter escrow report, were you printing the  
5 report? How were you getting that report over to  
6 Valley National Bank to have the money released?

7 A: Email.

8 Q: So you would fax a specific request ---

9 A: And then you would fax the -- The report and the  
10 letter that went with it was emailed, as well as  
11 a fax copy to Valley, that they would want a fax  
12 copy to go along with it, not just the email.

13 Q: So every time you released money, you faxed and  
14 sent an email with the same information?

15 A: Uh-huh (affirmative response).

16 Q: Did you save those emails?

17 A: The emails should've been on my computer, and the  
18 letters were all in my office in all of those  
19 books.

20 Q: And what happened to the reports that went with  
21 the letters?

22 A: The reports were emailed.

23 Q: Were the reports ever printed and faxed?

24 A: No. They were too big.

25 MS. MURPHY: JUST FOR THE SAKE OF

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1 A: Some -- Yes.  
2 Q: But you're telling me that all of this that's  
3 listed here under cash is actually a form of a  
4 credit card?  
5 A: It should be.  
6 Q: And when did you find that out?  
7 A: I don't know, when I was working with it and  
8 looking at this and pulling a report, and I'd  
9 say, "Well, we don't take cash. What is this?"  
10 So then I'd have to call and, and check and see,  
11 "What is this? What is this? I don't know what  
12 this is."  
13 Q: And on the second page there's a total for P due,  
14 \$1,960.27. What is that?  
15 A: Hang on just a minute. What page are -- Oh, P  
16 due?  
17 Q: Yes.  
18 A: The only thing that I know is payment due.  
19 Q: And what type of ---  
20 A: I don't know.  
21 Q: --- terms are those, that payment would be due?  
22 A: I don't know. I would assume it has something to  
23 do with, because -- I don't know if there was a  
24 time that we booked -- You know, I don't know if  
25 we had a time where we allowed passengers to book

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1 where they didn't have to pay at the time of  
2 booking, could be when we started that we had  
3 some that had to pay within 24 house and if it  
4 didn't, then it was cancelled. But you know,  
5 this means there's money due. So it's either it  
6 would cancel or we didn't get the money as yet.

7 Q: Why should that be on the ---

8 A: I don't know. I don't ---

9 Q: --- release request?

10 A: I don't know. I just would pull the report from  
11 this date to this date of what is in the system,  
12 and that's what I got.

13 Q: And would you agree with me now that if this P  
14 due total, \$1,960.27, was in fact money still due  
15 to Direct Air that people hadn't paid, it  
16 shouldn't be money that comes out of escrow,  
17 right?

18 A: Well, you don't know that. It, it most likely  
19 will go into escrow by the time it comes in  
20 because it's the only way that it can. So at  
21 some point, if this is money that's due and it's  
22 on a record and they call back in, then that  
23 money will come in and it'll go into escrow.

24 Q: But people don't always pay their bills, I mean,  
25 that might be money you never get or it might be

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1 money for flights that, ultimately, people don't  
2 fly because they didn't pay you and they got  
3 cancelled, right?

4 A: Well, we hope so. I don't know. I just know  
5 that it shows payment due, and it shows on my  
6 report that this is what's due me, so that's what  
7 I pulled.

8 MS. MURPHY: NOW LOOKS LIKE A GREAT TIME  
9 FOR OUR LUNCH BREAK UNLESS  
10 YOU HAVE ANY FOLLOW-UP ON  
11 THESE.

12 MR. REGAN: NO.

13 \*\*\*\*\*OFF THE RECORD\*\*\*\*\*

14 (ON THE RECORD)

15 MS. MURPHY CONTINUES:

16 Q: After coming back from our lunch break, Judy, can  
17 you just state for the record how you're feeling  
18 related to the medical conditions you had advised  
19 us of earlier?

20 A: Well, yesterday, I was in bed all day with pains  
21 down my left arm, and they went away after I was  
22 in bed all day. So I was concerned about today.  
23 I don't want to get in too much stress, that  
24 stress brings them back or whatever. I don't  
25 want to get too tired, either. So, right now,

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- 1 the individual's name?
- 2 A: The -- All reservations are in the passenger
- 3 name, and then there is places on the record for
- 4 the hoteliers. And you have to understand. I
- 5 don't know how to make a reservation. I never --
- 6 I don't do that part. So what's in the
- 7 reservations, how they work, I don't do that
- 8 part. I do airplanes.
- 9 Q: Would it be fair to say you've never made a
- 10 reservation, never re-accommodated a flight?
- 11 A: Oh, that is absolutely true.
- 12 Q: And if you could turn back to the first page, the
- 13 actual release request from 6/4/2009, again to
- 14 confirm what we're been talking about this
- 15 morning, the total balance on the bottom,
- 16 \$124,972.57, that is what you're representing as
- 17 the total revenue for the above flights that are
- 18 listed, minus the money that has already been
- 19 paid out ---
- 20 A: To the airlines.
- 21 Q: To the airlines, associated with the above
- 22 flights?
- 23 A: Yes.
- 24 Q: This \$124,000 is the balance that Valley National
- 25 Bank presently has or should be getting in its

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1 Q: Do you know what those refer to?

2 A: When a Family Tie was booked, before they were  
3 booked on a regular flight, they were in there as  
4 FAM to ILY.

5 Q: So is it fair to say that in the Radixx system,  
6 when a Family Ties' voucher was purchased by a  
7 customer, the airport codes would be identified  
8 as FAM and ILY; is that correct?

9 A: Yes.

10 Q: And when, if at all, would those codes change?

11 A: Well, what would happen is, you see you've got  
12 many flights, is when we had a Family Ties sale,  
13 the Family Ties was all one flight, and flights  
14 were unable to hold several thousand people.  
15 They're only meant to hold a hundred and fifty.  
16 So what would happen is when they were in the  
17 system, Radixx then would create new flights for  
18 them and break them down because they were, they  
19 couldn't hold all those flights, so then you had  
20 individual flights. So ---

21 Q: Let me see if I understand. In your example, are  
22 you saying a customer would purchase several  
23 vouchers at one time?

24 A: Yes. They could purchase up to 20 at one time.

25 Q: Okay. And then ---

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- 1 listings that are expired vouchers on this  
2 correspond to customers whose vouchers expired as  
3 opposed to customers who have taken flights?  
4 A: Customers who've taken flights won't be FAM to  
5 ILY anymore.  
6 Q: Right.  
7 A: They become the new flight. When, when they're  
8 -- When they first book, they're FAM to ILY, and  
9 if it's not a bad flight. then when they rebook  
10 to when they want to travel, they're now going to  
11 be booked according to the date that they're  
12 traveling. So their money will get moved to  
13 wherever they've traveled. They'll become Myrtle  
14 Beach to Niagara Falls, and they're not under FAM  
15 to ILY anymore.  
16 Q: But on this report provided to Valley National as  
17 support for the list of flights that have been  
18 completed, it lists various FAM/ILY, correct?  
19 A: Yes. It's right here, yes.  
20 Q: Okay. And those are for ---  
21 A: Expired vouchers.  
22 Q: Not for completed travel?  
23 A: No, because their FAM to ILY.  
24 Q: Would you separately from time to time request  
25 release of funds from Valley National where you

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1 would specify, "These are for expired vouchers"?

2 A: Yes, probably. We requested -- Usually, we  
3 requested the membership fee. We would send a  
4 report to Valley that has all the passenger names  
5 and everything that had purchased a Family Tie  
6 ticket, and it had a member, every ticket had a  
7 membership fee, and you'll see reports in there  
8 for that.

9 There were reports for vouchers that were  
10 expired that were other than Family Tie tickets.  
11 You have no shows, people who no showed. We were  
12 allowed to get that money. So we would request  
13 -- There was a report in Radixx that you could  
14 pull that gave you expired vouchers, which was  
15 different than Family Ties.

16 Q: Okay. So with respect to Family Ties, just so  
17 we're on the same page, when a customer purchases  
18 a Family Tie voucher, it includes a voucher for  
19 air travel and a membership fee, correct?

20 A: Yes.

21 Q: And Direct Air would seek the release of the  
22 membership fee ---

23 A: Yes.

24 Q: --- shortly after a purchase?

25 A: Yes.

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- 1 Q: Because the membership fee ---  
2 A: Is not airfare.  
3 Q: And Direct Air did not believe the membership fee  
4 needed to remain in escrow?  
5 A: We have proof from the Department of  
6 Transportation that they did an investigation and  
7 said it was all right for us to use that.  
8 Q: Did you specifically discuss the membership fee  
9 ---  
10 A: Yes.  
11 Q: --- portion?  
12 A: Uh-huh (affirmative response).  
13 Q: Was that in written communications or ---  
14 A: Uh-huh (affirmative response).  
15 Q: We can look at some of those communications in a  
16 little bit. So we're on the same page, though,  
17 that it was Direct Air's practice to take out the  
18 membership fee soon after the customer bought the  
19 Family Ties voucher, ---  
20 A: Yes.  
21 Q: --- correct? But the voucher portion would  
22 remain ---  
23 A: The air portion was not.  
24 Q: The air portion would remain in escrow until the  
25 voucher expiration date?

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- 1 reasons we're here is that there's a large  
2 shortfall from the escrow account. So let's turn  
3 to some questions that get to that shortfall  
4 issue. When was the earliest that you were aware  
5 that there was a shortfall in the escrow account?  
6 A: We, when we had negotiations about selling the  
7 company or joining with an airline, which was  
8 Vision Airlines, is we started to go in and look  
9 at, you know, the company and the funds and  
10 everything, and that, I think, was in 2009, I  
11 think. I'm not sure of the dates.  
12 Q: And that was the first time that you were aware  
13 that there was a shortfall, ---  
14 A: Uh-huh (affirmative response).  
15 Q: --- was when you were trying ---  
16 A: Yeah, right.  
17 Q: Let me finish that.  
18 A: Yes.  
19 Q: So the first time you were aware that there was a  
20 shortfall in the Valley National Bank escrow  
21 account is when you started to look to merge with  
22 an airline and you started to run financials for  
23 that purpose?  
24 A: Uh-huh (affirmative response).  
25 Q: I'm sorry. You need to say ---

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- 1 A: Yes.
- 2 Q: Thank you. Who first brought it to your
- 3 attention?
- 4 A: I don't know.
- 5 Q: How was it raised?
- 6 A: We were just running reports to look at where
- 7 we're at, what our bills are, and, and you know,
- 8 where, you know, what's the status of the
- 9 company.
- 10 Q: Are you saying that somebody ran a report and all
- 11 of a sudden there was a big shortfall and that
- 12 was just how it was approached?
- 13 A: We, we started finding bad records in the
- 14 computer, and Kay's mother is a, was a CPA, and
- 15 she's retired, and so we brought her in to
- 16 individually go in and pull up these records
- 17 because we didn't know what was wrong. We
- 18 couldn't figure out why these records were not
- 19 right.
- 20 Q: What was wrong with the records, why are you
- 21 calling them bad?
- 22 A: I'm not the person that can tell you that. Kay
- 23 can tell you that, because she's -- I can't make
- 24 a reservation. So I can tell you that things
- 25 weren't looking right in the system. I don't

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1 MS. TULL: NO, NO, NO, THAT'S FINE.  
2 MS MURPHY: OKAY.  
3 MS. MURPHY CONTINUES:  
4 A: There should be reports by Radixx by the number  
5 they give every ticket. And, you know, over six  
6 years, do they have, do they save the copies? I  
7 don't know. I think Kay and I have found a bunch  
8 of them to show you for an example in, in the  
9 documents she's providing to you, but they're all  
10 in there. Kay and I actually went down to Radixx  
11 and met with them to get some simple things  
12 fixed, and they never got fixed, so it did us no  
13 good to request them.  
14 Q: But when you first found out that there was a  
15 shortfall, what was your understanding of the  
16 amount of the shortfall in the escrow account?  
17 A: We thought it was around a million to two, and I  
18 think it was about four to five, and then it went  
19 higher, and we didn't know why.  
20 Q: So you originally thought the escrow shortage was  
21 about one million?  
22 A: A million to two, I think.  
23 Q: And what was your understanding of that amount  
24 based on?  
25 A: I don't know. I mean, we're just trying to

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1 does that line refer to?

2 A: I don't know. I don't, I don't remember, because  
3 the vouchers are down here. Like I say, I didn't  
4 make this. Kay can explain it to you.

5 **BY MS. MURPHY:**

6 Q: Did Kay prepare it?

7 A: Yes.

8 **BY MR. REGAN:**

9 Q: And so then the shortage line, is this your  
10 understanding of what ---

11 A: We were short of what we were supposed to have  
12 in, which could've been covered, but the whole  
13 reason we sold it was because they were supposed  
14 to correct it, and that didn't happen.

15 Q: Let's look at the ---

16 A: The next part?

17 Q: Yes, the box below, with the heading, "Family  
18 Ties."

19 A: Right. All these expired on 10/31, 622,000, or  
20 the whole nine twenty-six expired.

21 Q: Okay. Hold on a second. So Family Ties says,  
22 "(Used Funds-15% of Aircraft)." What does that  
23 mean?

24 A: We didn't let the whole aircraft travel on Family  
25 Ties.

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1 Q: Only up to 15 percent?

2 A: Right.

3 Q: And then the expiration, 10/31/11, it indicates  
4 that 11,596, is that vouchers expire?

5 A: 11,596 passengers, for a gross revenue of 926 and  
6 622, that expires on October 31st, which is a  
7 month and a half away, and that's the number of  
8 passengers, I would assume, that had not booked  
9 as yet that were on our books.

10 Q: Why is this information on this chart; how does  
11 it relate to the escrow?

12 A: Because if you take the five and the seven, it  
13 adds up to 12.

14 BY MS. MURPHY:

15 Q: Why would you add those two numbers together?

16 A: Because that's just the way it was. I mean,  
17 that's what it did, five -- Over here, it was  
18 what you're short, and this is what you're short  
19 over here, ----

20 Q: Why is the seven million dollars a shortfall  
21 number?

22 A: I mean, it's just the way it's put together.  
23 What you need to do is, when you talk to Kay  
24 tomorrow, she can tell you exactly how she put it  
25 together. She's the one who put it together.

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1 She explained it to Avondale. They wrote on it,  
2 they read and they understood it, and they went  
3 through bank statements for two years, so ---  
4 Q: Did you have the discussions with Avondale about  
5 this document?  
6 A: No, I didn't.  
7 Q: Did you have discussions with anybody about this  
8 document?  
9 A: Avondale had it with, they talked to Kay and Bob.  
10 Q: But I'm asking who you talked to about this  
11 document.  
12 A: Probably Kay and Bob and Ed.  
13 Q: Do you know if Valley National Bank ever saw  
14 this?  
15 A: No, they didn't.  
16 Q: You know that they didn't see it?  
17 A: We never gave it to them. We did this for the  
18 sale.  
19 BY MR. REGAN:  
20 Q: Do you know if JetPay ever received this?  
21 A: No.  
22 MR. BOYD: NO, YOU DON'T KNOW OR, NO,  
23 THEY DIDN'T SEE IT?  
24 A: I am not aware that they had this.  
25 BY MS. MURPHY:

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1 Q: Wouldn't it have been important to tell Valley  
2 National Bank that there was a shortfall in their  
3 escrow account at their bank?

4 A: No. If, if we're in a situation where the owners  
5 can make it whole, if there was a problem, then  
6 why would you do that, because they, you know, it  
7 would affect your business and strand hundreds of  
8 thousands of passengers. So what you've done is  
9 you've gone out, you've sold the company to  
10 somebody who has the money to correct this.

11 This is what the whole thing was, is we  
12 didn't -- We, we couldn't figure out exactly why  
13 it was, but we knew we needed to fix it, and that  
14 was the whole intent of why we sold the company,  
15 is here's a producing airline that flies to 19  
16 cities, that has hundreds of thousands of  
17 passengers, and we were part of the community..

18 It was a very, very important company,  
19 and then suddenly we have somebody, we had a deal  
20 with Sky King. They were going to correct this  
21 thing, and Jeff Conry, who's the president of Sky  
22 King, at the same time that he's negotiating with  
23 us, tells us that Sky King has no money and that  
24 they're not going forward with the deal and moves  
25 the deal over to somebody who has no money or

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